

***Corporate versus local isomorphism? Collective representation
practices of US MNCs in Britain and Germany***

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Introduction

As Quintanilla and Ferner (2003) note, the interaction between MNCs in home and host country environments and its implications for human resource management (HRM) has become a distinctive line of inquiry within the field of international HRM (see also Jain et al, 1998). A growing number of studies adopting this focus have drawn on new institutionalism in organizational analysis. New institutionalists argue that in order to ensure their survival, organizations must comply with the institutionalized expectations of their environment and adopt the expected structures and practices (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Zucker, 1977).

Scholars applying new institutionalist theory to MNCs depict them as being confronted by conflicting institutional pressures towards global integration and local adaptation (see particularly Rosenzweig and Singh, 1991; Kostova, 1999; for a review see Tempel and Walgenbach, 2004). The need for global integration stems from the competitive advantages which can emanate from being able to utilize organizational capabilities worldwide. The need for local adaptation results from the pressures to adopt local practices and become isomorphic with the local institutional environment. Linking the pressure for global integration with the institutionalization of MNC practices in their home country environments, Kostova (1999) argues that the larger the differences between the home country institutional environment and the host country environment in which an institutionalized practice is to be implemented (institutional distance), the greater the probability that the practice will not fit.

Our paper compares the HR practices of US MNCs in Britain and Germany, focusing on collective representation and wage determination. According to the arguments of Rosenzweig and Singh (1991) and Kostova (1999), the expectation would be that US MNCs would face much greater challenges in the institutionally distant environment of Germany whilst experiencing a much closer fit of home-country institutionalized practices with the institutionally similar environment of Britain. Their need to adapt home country practices to the local institutional environment and to be isomorphic with local practices, structures and procedures would consequently be much greater in Germany than in Britain. Indeed, these expectations match the findings of quantitative studies conducted by Gooderham et al (2003a and 2003b). However, our

investigation reveals a more differentiated and complex picture of corporate and local isomorphism.

In this paper, we explain the contradictions between our findings and previous work drawing on new institutionalism by highlighting both theoretical and methodological problems associated with this work. We also propose how these problems can be overcome. Firstly, we argue that by focusing on the different institutional pressures which MNCs are subject to, previous studies portray MNCs as being largely passive and have thus neglected agency. Whilst supporting the view that HRM in MNCs is influenced by both home country and host country institutional pressures, we propose that institutional analysis needs to be supplemented with a consideration of the strategies which actors at corporate and subsidiary level in MNCs can develop in response to such pressures.

Secondly, by relying on quantitative research methods, previous studies have been able to identify broad cross-national differences but have been less effective in capturing the complex ways in which MNCs operate. We argue that qualitative case study methods can provide a more nuanced picture of HRM in MNCs because they are more effective in exploring complex chains of causality such as the ways in which corporate management directs subsidiary behaviour, and actors at subsidiary level resist, modify and manipulate practices.

The paper is structured as follows. The first section examines the key arguments and shortcomings of new institutionalist studies of HRM in MNCs. It then shows how institutional analysis can be supplemented with an agency perspective by applying Oliver's (1991) framework of organisations' strategic responses to institutional pressures to MNCs. The second section considers the institutional pressures with which actors in US MNCs operating in Germany and Britain are confronted and the possible strategic responses they may develop. Following a section describing research methods, the fourth section presents data on collective representation and wage determination from the case studies. The conclusion draws out the implications of the findings.

HRM in MNCs, new institutionalism and the strategic responses of actors to institutional pressures

New institutionalism

Questioning whether formal organization can be explained through the argument of efficiency, new institutionalists argue that particular organizational forms exist not because they provide an optimal input-output balance, but because they correspond to institutionalized expectations. The focus is therefore on the legitimacy which is awarded to organizations by the institutional environment and the necessity of compliance with institutionalized expectations for survival. The adoption of institutionalized elements leads to a structural equivalence (isomorphism) of organization and institutional environment. A number of institutional forces are highlighted which are argued to encourage organisations to become isomorphic with their environment, either by obliging them, establishing social norms or setting taken-for-granted systems of thought (DiMaggio and Powell, 1983; Scott, 2001). For a review of new institutionalism see in particular Powell and DiMaggio, 1991; Tempel and Walgenbach, 2003).

New institutionalists have focused particularly on isomorphism with taken-for-granted institutions and thus “on factors which make actors unlikely to recognize and try to act on their interests” (DiMaggio, 1998:4) and on circumstances which cause actors to be able to act effectively on their interests when they do recognise them. There has therefore been a tendency among new institutionalists to portray organisations as passive pawns, willing to adopt institutionalised structures and practices. This has led them to be criticised for neglecting to consider the ability of powerful organisations to shape their environments (Perrow, 1986), how organisations in general construct their environment and attempt to influence government and other institutions (Hirsch and Lounsbury, 1997) and the “repertoire of strategic responses that organisations may exhibit in response to institutional pressures and expectations” (Oliver, 1991: 159).

New institutionalism and HRM in MNCs

We argue that this emphasis on the passive, conforming nature of organisations to institutional expectations can also be found in the work of those who have applied the arguments of new institutionalism to the study of HRM in MNCs. Influential among these is the work of Rosenzweig and Singh (1991) who highlight a number of institutional factors which influence the foreign subsidiaries of MNCs and thus shape their structures and processes. Their central argument is that MNCs are faced with a number of conflicting pressures which they need to consider in developing their structures and practices. These include the pressure to create uniform and consistent

processes and structures of control and co-ordination, as well as the pressure to conform to institutional and cultural factors of the host country.

Kostova (1999) extends the conceptual analysis by including the home country institutional environments in which MNCs are based and considers the potential problems which foreign subsidiaries face when they adopt practices institutionalized in the MNC's home country. She argues that countries differ in their institutional characteristics and that organizational practices reflect the institutional environment in which they were developed and established. Her key argument is that the larger the institutional distance between the home country institutional profile and the host country institutional profile into which a particular institutionalized practice is to be implemented, the greater is the probability that the practice will not fit.

Kostova and Zaheer (1999) analyse the pressures faced by MNCs in terms of organizational legitimacy and differentiate between internal and external legitimacy. Internal legitimacy refers to the acceptance and approval of an organizational unit such as a subsidiary by other units in the firms and in particular by the parent company. It results from the adoption of structures, practices and procedures which are institutionalized within an MNC and which are normally shaped by the institutional environment in which headquarters are based. External legitimacy is awarded by the institutional environment in which the organizational unit is embedded. It stems from the adoption of structural forms and management practices which are institutionalized in the organizational unit's environment. Moreover, they emphasize the problem of "institutional distance" between home and host country which can lead to conflicts between internal and external legitimacy: The greater the difference between institutional environments, the greater the challenges faced by MNCs.

In an empirical paper, Kostova and Roth (2002) investigate the transfer of an organizational practice from headquarters to foreign subsidiaries in an MNC. They supplement Kostova's (1999) and Kostova and Zaheer's (1999) analysis of the internal and external demands for structural adaptation in MNCs by considering the reaction of foreign subsidiaries to the transfer initiatives of headquarters. They propose that the response of subsidiaries to transfer attempts comprises both a 'behavioural' and an 'attitudinal' component, the former concerning the actual implementation of a transferred practice, the latter the internalized belief among subsidiary actors in the value of the practice.

Building on this work, Gooderham et al.(2003a) present an empirical study of the influence of the institutional context on HRM practices (remuneration systems) in US subsidiaries in Europe. Their results indicate that pay related to individual performance is less widely used in the subsidiaries in institutionally more distant Denmark, Norway and Germany than in the subsidiaries in institutionally more similar Ireland and Britain. In a similar study focusing on the centralization of control over HRM decision-making in US MNCs in various European countries, Gooderham et al.(2003b) introduce the idea that headquarters can develop strategic responses to host country institutional pressures. They propose that US MNCs will tend to impose greater centralized control on subsidiaries in co-ordinated market economies such as Germany, Denmark and Norway in an attempt overcome practices which are institutionally distant from their home country liberal market economy.

To date, these studies portray HRM in MNCs first and foremost as a function of the degree of similarity versus distance between these different environments and have used quantitative research methods in their empirical work. Although Kostova and Roth (2002) and Gooderham et al. (2003b) have introduced the idea of subsidiary or headquarters actors strategically responding to such pressures, these do not represent systematic attempts to consider potential responses to pressures for corporate or local isomorphism.

Whilst supporting the view that HRM in MNCs is shaped by home and host country institutions, we argue that its portrayal as a balance between these pressures is too simplistic. We propose that the study of HRM in MNCs needs to involve both taking institutional pressures into account and systematically analysing how actors in MNCs can develop strategic responses to these pressures. Such an analysis needs to consider the responses of corporate actors to host country institutional pressures. It also needs to consider the different strategies available to local actors. Key local actors are on the one hand subsidiary management who can develop strategies to cope with the conflicting institutionalization pressures from corporate management and local institutions and on the other hand actors such as trade unions and employee representatives who can develop responses to subsidiary management strategies. We argue that Oliver's (1991) typology of the repertoire of strategic responses to institutional pressures, developed to overcome the emphasis on

passiveness in new institutionalism, is useful in crafting such an analysis (see also Ferner et al, 2004; Tempel and Walgenbach, 2004).

Strategic responses of MNC actors to institutional pressures

Oliver proposes a typology of five organizational responses to institutional pressures which range from passive acquiescence to proactive manipulation, as summarized in Table 1.

Table 1 about here

Moreover, she highlights possible variables which influence the extent to which organisations will adopt more proactive responses. We argue that four of these are particularly relevant to the study of MNCs. Firstly, it is proposed that organisations are more likely to be proactive in resisting conflicting pressures from multiple sources, a situation which, as the preceding discussion has shown, is clearly relevant to MNCs. Secondly, Oliver (1991) argues that organisations are likely to be more resistant to institutional pressures where they are less dependent on the pressurising constituent. A number of authors have considered resource dependency in MNCs (see particularly Birkinshaw, 2000; Gupta and Govindarajan, 1991; Taylor et al, 1996.) This includes both the dependency of subsidiaries on headquarters, for example for resources, but also the dependency of headquarters on subsidiaries, for example where the latter have built up capabilities vital to the organisation. The third variable concerns the extent to which institutional expectations are consistent with organisational goals. Oliver (1991) argues that organisations are more likely to be resistant to institutional pressures where they are inconsistent with organisational goals. From the perspective of corporate actors in MNCs, inconsistency would occur when local institutional expectations are greatly at odds with their organisational goals. From the perspective of subsidiary actors, both management and employee representatives, inconsistency would exist where corporate expectations of HRM policy are greatly different from local organisational goals. The final variable concerns the potential “loss of decision-making discretion” imposed on actors by institutional pressures (Oliver, 1991; 165), the argument being that organisations are more likely to resist pressures which threaten their decision-making autonomy in key activities than in peripheral activities. Corporate management may for example insist on core elements of pay policies being replicated in subsidiaries, whilst allowing subsidiary actors freedom to tailor

more peripheral elements to local conditions. Similarly, subsidiary actors may be more willing to acquiesce to corporate mandates which do not constrain substantive decisions than to those which threaten their autonomy.

Turning to the strategic responses themselves and how they can be applied to the study of MNCs, acquiescence to institutional expectations and pressures represents the most passive response proposed by Oliver (1991). It can involve actors habitually or unconsciously reproducing the practices of the institutional environment. It can also mean the imitation, whether conscious or unconscious, of institutionalised practices, in particular those adopted by successful organisations. Prominent examples of such imitation would be the spread of practices from 'dominant' countries (Smith and Meiksins, 1995) such as the adoption by US and European companies of Japanese production and working practices and the Anglo-Saxonisation of continental European companies (Ferner and Quintanilla, 1998). Applied to MNCs, this tactic could involve the imitation of successful home country practices in subsidiaries, such as the attempts by German MNCs to set up German-style vocational training in US, Spanish and UK subsidiaries which were regarded as being superior to indigenous training practices (Dickmann, 1999; Economist, 1999; Tempel, 2001). A further form of acquiescence is the conscious and strategic compliance with institutional expectations in anticipation of benefits. This could involve subsidiary actors, whether management or employee representatives, complying with home country practices in anticipation of being awarded more resources or further investment. It could also mean corporate management choosing not to transfer taken-for-granted home country practices to subsidiaries in order to increase operational flexibility (Tempel, 2002; Ferner and Varul, 1999).

Compromise involves partial but not unqualified conformity to institutional expectations. Oliver (1991) argues that organisations are likely to deploy this strategy where they are faced with conflicting institutional demands. In such situations, actors may attempt to establish a compromise between these demands. This can involve them seeking to balance, pacify or bargain with those constituents who are placing such demands on them. For example, in an attempt to conform to corporate pay policies, subsidiary management and employee representatives may negotiate employment security guarantees for subsidiary workforce in return for concessions on the introduction of performance-related pay. Compromise may also involve MNCs

complying with but not exceeding the minimum standards prescribed by labour legislation or established in collective agreements in the countries in which they operate.

A more proactive strategic response can take the form of avoidance which is “motivated by the desire to circumvent the conditions that make conforming behaviour necessary” (Oliver, 1991: 156). Such circumvention can involve concealment tactics such as window dressing or ritual conformity. In order to give the appearance of conformity, subsidiary management may, for example, develop elaborate practices or procedures which incorporate the expectations of corporate headquarters but which do not form part of their everyday activities. Avoidance may also take the form of buffering where subsidiary actors seek to reduce the extent to which their activities are scrutinised by decoupling their activities from external contact. For example, a subsidiary HR manager, dissatisfied with the company-wide employee attitude survey, argued to headquarters management that the survey needed to be translated into the local language. This enabled him to buffer his activities from the headquarters inspection and to implement a survey which was tailor-made to the situation in the local subsidiary (Tempel, 2001).

A further form of avoidance is escaping the domain in which institutional pressure is exerted. The phenomenon of MNCs moving to alternative locations in order to escape constraining institutions and to take advantage of lower labour costs is well documented (Ferner, 1998; see also Schwab and Smadja, 1994). There are also numerous cases where MNCs have used the threat of divestment in order to pressurise local actors, both subsidiary management and employee representatives, to concede to the introduction of new employment practices (e.g. Mueller and Purcell, 1992; Mueller, 1996). For example, Coller and Marginson (1998: 13) report of management in a poorly performing subsidiary of an MNC in the food industry being advised by corporate management to introduce a quality management system which had been identified as a best practice. Such advice was underpinned by the warning that it be “ignored at your peril”, implying possible implications for future investment. The collection of performance data by MNCs provides corporate management with the ability to compare performance across subsidiaries in different countries and to “reward and punish individual sites through decisions on the location of capital investment and the rationalisation of productive capacity in the form of plant closure

or run-down (Marginson et al, 1995: 6). The threat of divestment has often been sufficient to encourage subsidiary actors to concede the introduction of employment practices mandated by corporate management, even if their implementation involved substantial deviation from local practices (Mueller and Purcell, 1992; Mueller, 1996).

The defiance strategy is defined by Oliver (1991) as the unequivocal rejection by organisations of institutional expectations. She argues that it is more likely to be adopted by actors in situations where they perceive the costs of defiance to be low or when the internal interests diverge dramatically from external pressures, a situation which may occur in MNCs particularly where the institutional distance between home and host country practices is large. Subsidiary actors may choose to dismiss corporate guidelines which they regard as being irrelevant to their operations or where enforcement of such guidelines is low. Subsidiary management may also seek to challenge corporate mandates on HRM practices which would severely disrupt their constructive relationships with local employee representatives. Indeed, subsidiary management's knowledge and ties with local institutions can furnish them with power resources to defy home country influence as corporate management is not always in a position to assess the extent of constraints imposed by local institutions. For example, a subsidiary manager was able to use his expert knowledge of local labour law to resist parent company influence (Tempel, 2002, see also Ferner and Edwards, 1995). Equally, management, either at corporate or subsidiary level, may launch a challenge or attack on local institutions where they go against key organisational goals. For example, where local collective representation institutions have the potential to prevent the use of standardised working practices or go against the MNC's ideology for direct and individual employee communication, management may adopt such strategies as the unfair dismissal of works council members and non-compliance with the works council legislation as found by Royle (1998) in McDonalds' German operations.

Manipulation is argued by Oliver (1991) to represent the most active response to institutional pressures and entails attempts to actively change or exert power over the content or source of expectations. This may take the form of subsidiary management seeking to co-opt works council members in order to neutralise their opposition to corporate mandates (Royle, 1998). A further possible tactic of manipulation in MNCs could be the attempt by subsidiary management to influence corporate mandates by

becoming involved in international project groups to design corporate-wide HRM policies (Tempel, 2001, Ferner et al, 2004). Manipulation tactics could equally be pursued by corporate management. For example, in an attempt to reduce local institutional pressures, corporate management may seek to fill key subsidiary management positions with home country expatriates who have been socialised in the institutional expectations and organisational goals of the MNC.

This review highlights that Oliver's (1991) framework can be applied to MNCs. Corporate actors are not limited to acquiescence to host country environments where rules, norms and expectations diverge dramatically from their organisational interests and goals, but can develop a range of strategic responses to host country environments. Subsidiary management can also strategically respond to the conflicting demands placed on them. Such strategies can range from the acceptance of corporate mandates, through a hybridisation of home country practices with local practices, to the defiance and blocking of corporate influence. Equally they can respond to the pressures and interests of local actors such as trade unions and employee representatives by trying to accommodate them, seeking a compromise with them or more openly challenging them by trying to avoid or co-opt them. Finally, not only subsidiary management but also other subsidiary actors such as employee representatives can also respond to institutional pressures, for example by bargaining with subsidiary management.

By considering both the institutional pressures which actors in MNCs are subject to and the strategies which they can develop in response, we argue that it is possible to gain a more nuanced picture of HRM in MNCs than the either-or typology of corporate versus local isomorphism which new institutional studies have proposed.

US MNCs operating in Britain and Germany, institutional pressures and possible strategic responses

In order to assess the institutional pressures on actors in US MNCs operating in Britain and Germany, we will commence with an analysis of the likely strength of corporate isomorphism in US MNCs as shaped by the institutional environment in which they originate. The American business system exhibits a number of distinguishing features. These include firstly its hegemonic position within the global economy; secondly its 'liberal market economy' (Hall and Soskice, 2001) with limited

state intervention in economic coordination and associated focus on arm's length contractual relations; the absence of close, long term links between shareholders and firms, the flexibility of the labour market, with few institutional constraints on labour mobility between firms or the adjustment of workforce size; and thirdly, the dominance of an individualistic ideology which is manifested particularly in the strong anti-state and anti-union stance of employers (see Ferner, 2000 for a fuller discussion).

Against the background of these key features of the American business system, we argue that pressures for corporate isomorphism are likely to be strong in US MNCs. This is the case for three reasons. Firstly, the dominant position of the American business system in the global economic order since 1945, underpinned by channels of influence in other countries and the notion of American management practices as one-best-way practices is likely to facilitate the export of home country practices by US MNCs (Ferner, 2000; Edwards and Ferner, 2002).

Secondly, the relative flexibility of American labour market institutions offers firms considerable scope for experimentation and is therefore not likely to be seen by American MNCs as imposing constraints from which they would seek to escape when operating abroad. Relatedly, there is more scope for the international transfer of practices developed within the context of 'liberal market economies' such as the USA than those developed in tighter institutional arrangements of 'coordinated market economies' (Hall and Soskice, 2001) because in the latter, competitive advantage of a practice is more dependent on national patterns of relationships with other stakeholders (Whitley, 2001, see also Streeck, 1997).

Thirdly, US MNCs are embedded in a business system dominated by an individualistic ideology, questioning third party involvement, whether from the state or trade unions. One important variant of non-unionism in the USA is 'welfare capitalism' (Jacoby, 1997) which is based on the ideology that the firm alone should provide for the security and welfare of workers without third-party interference and encourages a strong mutual commitment between the firm and the employee. This ideology has been adopted by many major American companies, who, in order to keep unions at bay and to avoid collective bargaining, have introduced innovative personnel management policies, in particular in the area of payment systems, such as performance-related pay and profit sharing (Jacoby, 1997; see also Foulkes, 1980). Pressures for corporate isomorphism is therefore likely to be particularly strong in the

area of collective representation and wage determination as hostility to trade unions is likely to permeate the management style of US MNCs abroad (Edwards, 1986; Innes and Morris, 1995; Hollingsworth, 1997).

Turning to the likely pressures for local isomorphism, the British business system is in many respects institutionally close to the American business system within the category of 'liberal market economy' (Hall and Soskice, 2001). However, it has not been characterised by such a strong individualistic ideology or anti-union stance on the part of firms. Marked by the absence of legal regulations, employment relations in Britain have traditionally been contingent on negotiated regulation by the parties involved. Collective representation in terms of collective bargaining and workplace employee representation rests on a single channel system which is dependent on the strength of trade unions. Legal, economic and political changes in recent years have however undermined the strength of trade unions. In the early 1980s, trade union recognition was at 65%. By 1990 this had fallen to 53% and in 1998, substantially fewer than half (42%) of workplaces with 25 or more employees recognised trade unions (Millward et al, 1999). Collective bargaining has been increasingly replaced by unilateral regulation by employers (Dickens and Hall, (Dickens and Hall, 1995; Purcell, 1995; Brown et al., 1997; Edwards et al, 1998; Cully et al, 1999). With the loss of trade union power and the reduction in collective bargaining in Britain, a 'significant representation' gap has opened up at workplace level (Towers, 1997). The 1998 Workplace Industrial Relations Survey highlights that almost three in five workplaces have no worker representatives (Cully et al., 1999).

As a 'coordinated market economy' (Hall and Soskice, 2001), the German business system is clearly more institutionally distant from the American business system. Relatedly, it is much more highly regulated than the USA. The labour market is particularly highly regulated, both by statute and by formal legal arrangements negotiated by encompassing actors. Collective representation in Germany rests on a dual system of collective bargaining through trade unions and workplace representation through works councils. The legal enforceability of collective agreements in Germany has given employers associations and trade unions the status of law-creating institutions, able to socially generate legal norms. The provisions of industry-level collective agreements cover all organised workers and all employers affiliated to employers' associations. The Works Constitution Act has the

potential to subject all workplaces with more than five employees to uniform regulation of the employer employee relationship at plant level.

Although, the stability and strength of multi-employer bargaining has been undermined in recent years by globalization and reunification, the majority of the German workforce is still covered. Nevertheless, the German industrial relations system is in transition. The coverage of multi-employer bargaining has significantly declined in many industries and is particularly low in East Germany (Kohaut and Schnabel, 2003; Streeck and Rehder, 2003; Zagelmeyer, 2004). Pay has become more related to individual performance (Bahn Müller, 2003). A longitudinal analysis of data from the Cranet-E survey suggests that compared to other European countries the uptake of performance related pay has been strongest in Germany (Müller-Camen et al., 2004a). The strength of works councils has also been undermined, particularly in small and medium-sized companies (Bispinck, 1997; Hassel, 1999).

The open and deregulated nature of the British business system places few institutional constraints on the transfer of a non-union, 'pro-individual', model of employment relations by US MNCs. Isomorphic pressures to engage in formal processes of consultation and bargaining are relatively weak with these issues being determined by employer choice to a greater extent than in many other countries. The lack of conflict and inconsistencies between home and host country expectations and organisational goals limits the need for corporate actors to deploy proactive strategies in response to local institutions.

In contrast, pressures towards local isomorphism are much stronger in Germany with legal obligations on firms to consult with works councils and statutory support for collective bargaining making it much more difficult for US MNCs to pursue a non-union and individual approach to HR. Confronted with such constraints, it can be expected that corporate actors in US MNCs are likely to be proactive in attempting to lower institutional distance in Germany because of conflicts and inconsistencies between home country and host country expectations and organisational goals and because host country institutions threaten their decision making autonomy.

It can be expected that subsidiary management in Britain are more likely to acquiesce in corporate isomorphism, although they may not completely share the strong anti-union stance of corporate actors. In contrast, their German counterparts are more

likely to be proactive in dealing with the conflicting corporate demands and pressures of the German system. It can be expected that where subsidiary management acquiesce in corporate isomorphism, local employee representatives will attempt to respond. The response strategies of subsidiary actors will be influenced by their resource dependency.

Methodology

In order to investigate how actors in MNCs respond to multiple institutional pressures, we chose the in-depth case study method. Although survey work is appropriate for identifying broad cross-national differences, it is less useful for exploring complex chains of causality such as the ways in which headquarters direct subsidiary behaviour and actors at subsidiary level modify practices. Case studies can help "the researcher to go deep in complex matters, which are not wholly understood" (Stewart et al 1994: 13). Moreover, whereas quantitative surveys have major advantages in answering 'how much' questions, they are less appropriate for assessing both 'how' and 'why' questions which are of pivotal interest for this study (Yin, 1994).

The case studies reported in this paper have been conducted in parallel projects in Germany and Britain (see particularly Wächter et al, 2003; Almond et al, 2003; Wächter and Peters, 2004). A total of fourteen US MNCs in Britain and ten in Germany in a wide range of industries have been investigated in the project. This paper discusses four core case study companies, two manufacturing and two service companies. In each of the companies multiple interviews were conducted in the German and British subsidiaries and at headquarters level, either in the USA or in one case, at European headquarters level. In all, 75 interviews were carried out in the four countries. Interviews were conducted primarily with senior human resource managers, and with employees and their representatives, but also with key managers of other relevant functions such as finance and operations. This provided us with both the headquarters view 'from above' and the subsidiaries view 'from below' in order to track strategic responses of actors at both levels. Moreover, interviews with employees and employee representatives provided us with more complete information on the strategies which subsidiary actors in the companies develop in dealing with conflicting pressures for corporate and local isomorphism.

The semi-structured interviews were based on interview templates, designed both to increase the comparability of the research, whilst at the same time allowing for adaptation to the very different institutional frameworks of Germany and Britain. Interviews generally lasted between one and two hours, although some were much longer. They were tape-recorded and fully transcribed. Interviews were supplemented with internal company publications in the form of company newsletters, work agreements and mission statements and with published data, from sources such as annual reports, company websites and practitioner journals.

The case study companies have been given pseudonyms as access was granted on condition of anonymity. Table 2 provides an overview of the case study companies and the number of interviews conducted. As the table makes clear, in two of the companies the UK team were able to carry out a large number of interviews. More details of the background details of the firms can be found in Müller-Camen et al. (2004b).

Table 2 about here

Empirical Findings

ITco and CPGco in the US are characterised by a long tradition of a strong 'welfare capitalist' management style which was shaped by the companies' founding fathers. Both have used employment policies that seek to instil in employees a commitment to the goals of the organisation without third party interference and in turn offer them long-term employment and attractive material rewards. More recently, both companies have considerably weakened some of the defining features of this management style, such as job security and high pay, in particular because of financial crises and a strong shareholder value orientation. However, the clear anti-union attitude of both companies remains evident. Business Services also adopts a welfare capitalist style, using sophisticated HR practices as part of a policy to keep unions at bay. However, the tendency for employees in that company to look towards unions is relatively weak as the majority of its workforce is professionalized and highly mobile. Logistico is the one company among our case study firms to have recognised trade unions in the US. Union density there is very high at about 80% of the workforce.

Table 3 gives an overview of collective representation structures in the case study companies both in the US and in the host countries of Britain and Germany. At first glance, institutionalist theory predictions that the pressures on US MNCs to be isomorphic with local practices would be much greater in Germany than in Britain are confirmed only in the case of ITco. In that company, corporate anti-unionism seems to have been replicated in the UK, whilst the German subsidiary seems to comply with local collective bargaining and employee representation practices. In contrast, subsidiary collective representation practices in both countries in CPGco seem to diverge considerably from parent company norms. Business Services' policy of keeping collective representation structures at bay is displayed both in the home country and the two host countries, the only divergence being works council representation for support staff in Germany which make up only 20% of the workforce in that country. Logistico's acceptance of collective representation in the US seems to be reflected in the structures at subsidiary level in Britain and Germany.

There seems therefore to be a variety of combinations of corporate and local isomorphism between the companies. How can this variety be explained, how do these collective representation structures operate and how have actor strategies shaped the development of the structures?

Table 3 about here

Considering firstly the variation between the traditional welfare capitalist companies ITco and CPGco, in both companies there has been a clearly understood (although often unwritten) corporate strategy of avoiding unions where host contexts permitted it. A senior headquarters HR manager of CPGco made this point explicitly:

'Our corporate position is that we believe it's better for the company and better for employees to be able to deal directly. So you take that as an overall position. Given that, we recognise that in a lot of countries in the world the tradition is to have some other sort of representation for employees'.

However, in the past, corporate expectations concerning non-unionism have been communicated with different degrees of force, strongly influencing subsidiary actors' responses in the UK at crucial junctures. UK subsidiary management in both companies were faced with union campaigns for recognition in the 1970s. With significant international integration of production and operations, corporate management at ITco communicated its expectations of non-unionism very clearly to subsidiary management. In contrast, CPGco's operations were much more heavily

concentrated in the US and there was considerably less international integration than ITco. Corporate management was therefore less concerned about the potential 'contaminatory' effect on domestic operations of unions abroad and saw less need for a globally applied non-union policy.

These corporate expectations and organisational goals shaped the strategies of subsidiary management. In ITco, British managers campaigned hard to convince employees that it would not be in their interests if the firm had to recognise unions. Stressing the paternalistic nature of the company and arguing that the effectiveness of the existing company council in representing employees obviated the need for outside influence, they were successful in fighting off union recognition. A retired British HR manager described the 'halo effect' that he and his colleagues enjoyed in the eyes of corporate managers for some time afterwards:

So we were heroes to the States. Here was a system, this great system which was the creation of the [founding family]; this was the system being tested. So we had letters of congratulation, "wonderful achievement"... It was a vindication that had never been attained before, because there had been no vote on the ITco system".

Recognition attempts by unions in CPGco's British subsidiary, which were driven by union campaigns and industrial action, also provoked considerable management hostility. However, subsidiary management did eventually recognise external unions in 1973. Since then, union representation has become well established in the British subsidiary with a strongly unionised workforce and an active shop steward system. Despite the changed political and legal context of the 1980s and stronger corporate pressures for international integration in the 1990s, representation has been preserved. Subsidiary management has developed expertise and has learnt how to deal with unions. Moreover, it has come to recognise the benefits of collective representation and thus has an interest in perpetuating recognition agreements with trade unions.

In contrast, the fierce opposition of subsidiary management to unions has not weakened in ITco. The firm has recently moved into the IT outsourcing market, where the firm does not have market dominance and cost-cutting pressures are intense. As a result of the company's securing of outsourcing deals, many employees who were previously union members were transferred into the company. Our research has revealed strong collective grievances among employees transferred into ITco on such

issues as the cutting of shift allowances, a lack of career opportunities in the wider organisation and an effective cap on salary increases.

Similar reactions to these emerging pockets of union membership can be observed both in the US and in Britain. Although union members in the US have formed a company union, it is not recognised by ITco. British subsidiary management has come down very strongly on the attempts of individual employees and European Works Council representatives to coordinate unionised employees, to seek the support of trade unions and to increase employee awareness of the potential changes to their information and consultation rights contained in the 2002 EC Directive on national information and consultation (which has to be implemented through national legislation by March 2005). More generally, employees have been dissuaded from voicing their grievances because of rumours that corporate management is intending to 'offshore' outsourcing work to countries with lower labour costs. As the new policies regarding transferred employees were being piloted in Britain at the time of interviews and had not yet affected the German subsidiary, we were unable to chart the responses of actors there.

Path dependency can therefore be observed in the strategic responses of UK subsidiary management in both companies to conflicting pressures for non-unionism from corporate management and recognition attempts by local unions. Subsidiary management's initial strategy of *acquiescence* to corporate expectations at ITco and its *defiance* of union demands have informed its non-union strategy today. British subsidiary management's deviation from less strongly enforced corporate norms on non-unionism in CPGco in the face of strong demands from unions in the 1970s has not been revised in the face of stronger pressures for non-unionism in more recent years as the disruption of constructive relationships with trade unions would go against management interests. This pattern of *avoidance* of corporate norms as a result of acquiescence in host-country institutional pressures can also be seen in management's response to corporate demands for an international redundancy programme. Such non-compliance has been met with suspicion from corporate actors as to the actual extent of constraints imposed by local institutions. As one senior UK respondent in CPGco argued:

They (US HQ) still think ... that the push-back they might get on this is because we don't want to do it, not because we can't do it ... to the point where actually just a few weeks ago we did get our European

legal director to drop a note back to the required people and say "here, look, this is not the soft touchy-feely HR people thing that you can't do this, you really can't do this!"

However, there were limits to the proactiveness of British subsidiary actors in CPGco. This is illustrated by the barriers to subsidiary managers bringing about more fundamental change in the wider company. UK managers were unsuccessful in their attempts to push a particular form of teamworking with associated pay bands to the US operations. The explanation for this failure lay in the prevailing industrial relations climate in the parent firm. Welfare capitalist firms, such as CPGco, have tended to closely monitor the structure and levels of pay in unionised firms and to ensure that their own systems compare favourably. Given this context, the British innovation of simplifying the pay system into a small number of bands was decidedly risky in the eyes of American managers. The British system involved a close link being established between pay and skills but the pay structure in the American plant contained important seniority provisions and multiple job grades, apparently representing an attempt to emulate the structures, and improve upon the levels, of pay in nearby unionised firms. Had the British practice been implemented in the US it could have led some workers to perceive themselves as having lost out from the changes, relatively or absolutely. This might have provided fertile ground for unions to make membership gains. Thus the constellation of practices within firms embedded in the American system is not easily dislodged, limiting the scope that subsidiary managers have to shape the nature of corporate policies.

How similar are the strategic responses to institutional pressures on the part of German subsidiary management in ITco and GCPco? Both companies conform to collective bargaining institutions. Therefore the corporate non-union ideology of the parent companies does not seem to be reflected in the German subsidiaries. However these are not simply cases of passive *acquiescence* to local institutions. ITco's German subsidiary was traditionally covered by the metalworking multi-employer collective agreement involving the powerful IG Metall union. In 1993, ITco reorganised its German operations into several legally independent firms and extricated most of its operations from the metalworking agreement, preferring to deal with a more moderate service sector union at the company level instead. Restrictions and working time and inflexibility in pay systems were the main reasons behind the move. At that time annual pay increases in the metalworking sector were determined to 90% by the collective agreement, leaving only ten percent for individual incentives.

The new company level agreement which now covers the majority of ITco's German workforce differs from similar agreements in German-owned firms in that it specifies minimum rather than actual terms and conditions. Each independent business unit is therefore free to negotiate its own terms and conditions with its works council.

These changes opened up the way for the company's new global variable pay system to be implemented in Germany. Indeed, ITco Germany was the first subsidiary in Europe to introduce the new system and also the first to meet corporate demands to reorganize into several independent firms, reflecting considerable *compliance* on the part of subsidiary management, as confirmed by a retired British HR director:

"If ITco in Europe asked the Germans to do something, they went and did it. If the French were asked to do something they went on and did nothing. And if you asked the British they would say: Why?"

There have been important changes to the CPGco's conformance to collective bargaining institutions in Germany too. In the 1990s, CPGco Germany moved all of its operations from the metal industry agreement to a sub-agreement of the chemical industry, a major advantage of which has been that 'tariff' wages are much lower and that the percentage of non-tariff employees (or 'exempts') has substantially increased to more than 70% of the workforce in the German headquarters. Hence, for the majority of the workforce annual salary increases are no longer guaranteed and some exempts get no merit increase at all. An additional advantage of this move to a new sectoral bargaining set-up from the employer's perspective is that CPGco is the biggest employer in its new employers association and thus has more influence on bargaining outcomes. These changes were made against a background of the closure of production operations in Germany, which had a major impact on the German subsidiary as highlighted by a German HR manager:

"There were dramatic changes when they stopped production in Germany. It was also a question of image. In the past we were an 'A' company and all of a sudden we changed to a mere trading company. We really suffered from that."

The changes in collective bargaining policy have increased the scope for performance related pay to be implemented in the German subsidiary. However, in contrast to ITco, corporate actors' initiatives to push for performance appraisal to be directly linked to merit increases and to be based on a forced distribution have been met with some opposition from subsidiary actors in CGPco. Thus while *acquiescence* in the face of strong centralising forces was a key feature of these two case study

companies in Germany, actors in the German system brokered some *compromises* with the HQ.

The strategy of the third case study company which complies with collective bargaining in Germany is not characterised by simple *acquiescence* either. Logistico voluntarily joined the employers association in the early 1990s and is thus covered by multi-employer collective bargaining. However, this move did not seem to be enforced on the company by the pressures of the German business system, but rather was motivated by a desire to gather information about the pay levels and structures in the industry, enabling it to maintain its pay differential to its competitors. By participating in the collective bargaining committee, the company has access to information about planned increases in wages and can increase its non-managerial wages accordingly and before collective bargaining begins. Managers argued that Logistico is regarded as an outsider in the employers association and plays a “reserved and quiet role”, seeking primarily to gain information. As it aims to pay at the 75th percentile within the group of immediate competitors, collective bargaining does in practice not restrict the use of performance related pay. *Strategic compliance* seems therefore to be the tenor of German subsidiary’s response to German collective bargaining institutions. Partial unionisation in the company’s British subsidiary was inherited through acquisitions and is in keeping with unionisation in the parent company.

Business Services has been successful in replicating its sophisticated HR policies in both its British and German subsidiaries. A range of global policies have been implemented in the two host countries with a view to keeping unions and works councils at bay. These have been particularly successful in reducing consulting staff’s need for legally underpinned collective representation, as expressed by a German HR manager:

“We have best place to work initiatives. We strive to be an employer who is so attractive that consultants want to join us and stay with us. And that is more than any works council could offer. When the company, all the HR people and all the senior managers are daily putting a lot of effort into finding ways to make this an attractive place to work, then they are doing exactly the same as what a works council should do”.

If consulting staff did express the wish to set up works councils, subsidiary management interviewees suggested that they would discuss this with staff, ask what they want to achieve through works councils and try to find alternative ways of achieving what the staff want. Such a strategy would be shaped by significant restrictions that works councils representation for consulting staff could potentially

impose on how the company operates, which would be greatly at odds with both global and local organisational goals.

The lack of collective representation structures in Business Services' operations in Germany and Britain has enabled subsidiary management in both countries to implement very similar policies which conform to corporate mandates and guidelines across the majority of substantive HRM issues and for a majority of staff, works council representation of support staff in Germany leading to some differentiation. One important exception is the area of pay. Proposals to a new global variable pay structure created significant resistance among consulting staff in Germany as highlighted by a consultant:

"It aimed to produce large differences in pay for performance i.e. that top performers would receive much higher pay than good or average performers ... which was something which we had not had in such an extreme form before. There was a lot of resistance in Germany... because it goes against our culture. ... The attitude in Germany is that if someone performs very well; they should be paid very well. But someone who performs well should also be paid well. We didn't want to have such large differences; we found them just too blatant".

As a result, a considerably adapted pay structure was implemented in Germany. This highlights the ability of powerful actors upon whom the company depends to defy corporate institutional expectations:

"We as employees do have the power to achieve things here.... At the end of the day, it is we consultants who bring in the money for [Business Services]. We are the ones who create the company's 'raison d'être'. We thus have a much more powerful right to have a say in the shaping of company policy than if you are performing a support function. The power of each individual is therefore relatively high". (Consultant, Germany).

The pay proposals met with very little resistance from the company's British workforce as they were very much in line with local practices in Britain.

In contrast to Business Services' sophisticated practices to obviate the need for works councils in Germany stands the initial response of subsidiary management in Logistico to works councils. At first glance it is also seemingly at odds with the acceptance of union representation in US operations. However, subsidiary management's strategy was strongly shaped by corporate actors' suspicions of industrial relations institutions in other countries. When the first works councils were set up in the late 1980s there was a certain amount of irritation on the part of company headquarters in the USA. Questions were asked about what a works council is and why it needs to be informed of matters like new pay systems and working time. Such irritation was perceived by subsidiary management as a very clear signal of the strategies expected of them, as argued by a German works councillor:

“If a works council had been set up, then management had failed in the eyes of the Americans ... failed meaning that was the end of your career”.

These perceptions strongly shaped managerial responses to the setting up of works councils. For example, when representatives called the first works meeting (Betriebsversammlung), which according to the Works Constitution Act can take place during working time without loss of pay, a letter was issued by a law firm initiated by Logistico’s German labour relations department threatening a 500,000 DM fine or imprisonment if the works meeting took place. The works meeting did eventually occur, with busloads of employees from throughout Germany coming to attend. According to a German works councillor, the main point of conflict has been the setting up of works councils:

“It was very difficult to set up a works council and it’s the same today – I am convinced that [Logistico] would do everything to prevent a works council from being set up – both through lawful and unlawful means”.

He also reported however that management’s strategy improved significantly once works councils were set up and they have since come to respect and accept contributions made by works councils:

“Management has now realised the advantages of having a works council, at least in our plant. In the past, the attitude was that anyone who criticized [Logistico] was inherently bad. Now they have realised that criticism can be positive and that people are willing to contribute”.

The case of Logistico suggests that once subsidiary management has responded to corporate expectations by defying local institutions, it becomes difficult for them to change their strategy, as a German HR manager commented:

“We Germans always try to apply the law in such a way that there are no problems or complications. We were the first subsidiary in Europe and even if we had tried to hide behind the regulations of the Works Constitution Act, the Americans would soon have known. But the Dutch, Belgians or English say ‘well we can’t do that, we are prevented from doing so by law’ ... The British don’t even try ... The Americans have understood that. But when it comes to the Germans, they say, ‘the Germans will manage it’. I think we made some mistakes at the outset ... We saw ourselves as pioneers and we wanted the company to be a success We have always tried to find a solution and the Americans realised that very quickly. The other European countries have done it differently, for example the French are very rigid or in Britain, they set working hours or pay levels themselves and there is no room for discussion”

Thus, similar to British subsidiary management in ITco and GPCco, there are indications of a path dependency of actors’ reactions to institutional responses. Moreover, the contrast between the strategies adopted by German and British management in Logistico suggest that resistance to corporate expectations is not just shaped by the nature of local institutions but also by the space that actors seek to operate practices in ways that differed from corporate expectations. Thus whilst

German management appeared to be concerned to follow corporate guidelines quite closely despite local institutional constraints, their UK counterparts adopted a 'cherry-picking' approach to these guidelines, adopting those that they saw as attractive but not slavishly implementing others as a UK HR manager described:

Provided that the case that has been made on behalf of the country stands up then they'll [corporate management] go away and say obviously it's not going to work in that country. For instance there's something called an employee dispute resolution procedure, and we said well we're not going to do it, it doesn't fit our culture, our stage of development, our industrial relations policy".

The contrasting responses of British and German management in Logistico also highlight how the actors' strategies are shaped by the level of dependence of subsidiaries on central management. The German subsidiary was the company's first major foreign subsidiary and was set up as a blueprint of domestic operations under the auspices of expatriate managers. In contrast, the much younger British subsidiary grew out of acquisitions of local companies, the integration of which was very much left in the hands of local management.

At the same time, our case study companies in Germany were not marked by a complete lack resistance to corporate pressures or an total absence of local isomorphism. Indeed, there were a number of examples where labour market institutions impacted on substantive areas of practices and thus produced differences in the HR practices operating in the German and British subsidiaries. One example concerns redundancies, where the law gives employee representatives a relatively strong position to delay downsizing and to encourage firms to rely on early retirement and voluntary redundancies rather than dismissals in Germany. This was not only reported at CPGco, but also at ITco, where a workforce reduction of 40 percent in the early 1990s was achieved without compulsory redundancies. As with other companies in Germany, voluntary early retirement and redeployment was the preferred method, supported by the works council. According to the HR manager and the works councillor interviewed, ITco Germany still follows an employment security policy. The main change with the past is that a specific job position is no longer guaranteed. Various training programmes and initiatives have been deployed to increase the long-run flexibility of employees, alongside a clause in the company collective agreement which grants employees a right to training. As a result of redeployment combined with natural wastage, ITco did not have to dismiss employees in the latest round of cost savings. In contrast, UK managers indicated

that the firm's previous policy of employment security is no longer in place, and in the 1990s the UK subsidiary had undertaken a programme of compulsory redundancy for the first time.

In addition, while the payment systems in ITco Germany and ITco UK share many similarities, our research indicates that the German works council has been able to negotiate some important adaptations. The UK and most other European subsidiaries financed the introduction of a 10% 'variable' element to pay either out of decreased merit budgets or pay cuts. In contrast the German subsidiary abolished such pay components as 'vermögenswirksame Leistungen' (capital-forming payments [explain!]), the Christmas bonus, overtime pay and generous travel expenses in the collective bargaining agreement to finance the bonus.

At CPGco, the works council blocked or delayed many central initiatives. As one managerial respondent put it,

'We stuck out like a sore thumb often enough because of all the policies which the works councils prevented from being implemented. The rest of the world had no problems, but we had to report problems'.

This applied to production in particular, where for example teamwork could not be implemented owing to works council resistance. During the course of our research the works council was also trying to limit working hours and to regulate merit increases. In Logistico, one of the UK managers interviewed suggested that works councils opposition in Germany had prevented the introduction of some practices that have been implemented without problems in the UK. Thus there was some evidence of works councils in Germany successfully negotiating *compromises* to corporate influences.

Our data also threw up evidence of some *manipulation* of corporate policies on the part of works councils. One form of this was employee representatives not simply opposing the implementation of global policies but also fostering the adoption of them. For example, at Logistico we observed that the works council argued that workers should be entitled to similar practices as their counterparts in other parts of the company. In this case the American part of Logistico had developed a two-week induction training for new drivers. In Germany, where induction training has been regulated by a works agreement, the works council moved to copy the American practice. As a works councillor put it:

[Logistico US] has an induction training programme for new employees, which is very good ... We copied the American training programme in the form of a works agreement. They [management] couldn't object. It would have been embarrassing for them if they had said "no, we don't agree to that".

However, despite these examples, there was a widely held view in our case studies that there is strong pressure on German management to comply with the thrust of central initiatives. German subsidiary managers were therefore able to use the existence of works councils as only a partial *buffer* against HQ influence. In the main, they are expected to deliver particular outcomes and practices regardless of possible works council restrictions. According to a CPGco HR manager:

Management is under strong pressure because there is an expectation that co-determination should not cause any delays. "This is your task, these are the targets and at the end of the year you have to be at this point".

Similarly, the German HR manager interviewed at ITco suggested that co-determination is generally not accepted as a reason for non-compliance by headquarters:

This does not mean that it is accepted, that we go our special national way just because of that fact and have an easy life. [The headquarters] still expect that we implement our agenda even under these exacerbated general conditions. In other words: co-determination is no excuse for not achieving our goals. We just have to implement it in an adequate manner. Maybe this might take a little longer.

One way in which subsidiary management reacted to such expectations was by adopting an *avoidance* strategy such as the aforementioned use of 'welfare capitalist' employment practices in Business Services in the hope that these would obviate the perceived need for a works council. An alternative strategy was *manipulation* by shaping the nature of the works council in such a way as to minimise potential opposition to management's plans. This was the case in Logistico's group works council which, in contrast to local works councils, is dominated by supervisors and other managerial staff. As one works councillor put it:

The attitude of management was that if a groups works council is to be set up, then we want to shape it ... They try, unofficially of course, to influence the election propaganda and election strategy in such a way that people who support their views are elected. The group works council is controlled by [Logistico]. Some of its members have been trained in America. They have been very well trained and receive a lot of support.

Conclusions

Studying the way that MNCs manage their workforces across international boundaries has the potential to tell us much about how institutional pressures arising from the distinctiveness of national business systems interact with one another. In particular, using case study data drawn from three countries we have been able to examine the way that actors in the British and German host environments respond to the corporate policies that are strongly shaped by the American business system and to pressures from local institutions.

Our study highlights that HRM in MNCs is shaped but not determined by the distance between home and home country institutional environments and that there is considerable room for actors to respond to pressures towards corporate and local isomorphism. Our case study research did not confirm institutional theory predictions that US MNCs would face much greater challenges in institutionally distant Germany than institutionally similar Britain. Rather, there was much evidence of Germany subsidiary actors conforming to corporate isomorphic pressures and consequently avoiding, openly defying or manipulating local institutions or strategically complying with them when this was in their interests. The strongest evidence of defiance of corporate expectations emanated not from German industrial relations institutions but from employees themselves. Within this constellation, there was some scope for works councils to bargain compromises. In contrast, British subsidiary actors displayed a variety of responses to conflicting pressures for corporate and local isomorphism, ranging from acquiescence though to the defiance of corporate expectations and a path dependency of such responses. There was also intra-organisational variety in the way corporate actors perceived the need to comply with corporate expectations or local institutional pressures.

It is worth reflecting on why corporate policies that would appear to run counter to local institutional pressures in Germany did not attract more active resistance. One explanation is that the local institutional pressures were not as strong as may be supposed – even the regulated German system provided a good deal of leeway for firms to depart from prevailing norms, as we demonstrated. The decline or erosion of the dominant institutions in Germany may be expected to contribute to this, and it may be seen as something of an ongoing trend. Clearly, national level institutions not only

alter over time, but they also leave social space that MNCs can use. A good example is pay, where multi-employer bargaining in Germany has become less encompassing over the last decade. This leaves more room to MNCs either to avoid it, as was the case in Business Services, or limit its influence as occurred in the other three cases. Moreover, as performance-related pay becomes more common in indigenous firms, it becomes less contested in MNC subsidiaries. This confirms the openness and malleability of even highly regulated host business systems to which Quintanilla and Ferner (2003) refer.

An alternative, complementary explanation is to do with the way that the corporation instils a degree of 'order' across institutional divides. As Morgan (2001) puts it, the multinational can be seen as a 'transnational social space' since there are not cohesive, homogeneous institutions across their operations. Thus the corporate actors have to find ways of structuring this space. One way in which they do so is to establish incentives for site managers to buy into the corporate philosophy, the most obvious of which are the benefits in terms of enhanced pay and career prospects that individual managers can accrue if they are seen to be delivering on corporate policies (Coller, 1996). This is likely to be part of the reason why German managers were eager to please headquarters by adopting policies and strategies that seemed to go against the grain of the German business system. Another way is through the careful selection and socialisation of managerial actors who share corporate expectations or who are more likely to conform to them (Wächter et al., 2004).

There are also strong incentives for employee representatives and the workforces more generally not to be seen as presenting major problems to the corporation in a context of uncertainty over where investment will go to next. It is this structuring of interests by corporate actors that helps establish a high degree of organisational order in MNCs. Of course, we know from the literature that open defiance of corporate policies does occur to a certain extent (e.g. Ferner and Edwards, 1995), particularly where actors in subsidiaries possess expertise or control other resources that makes them invaluable to the corporate HQ. However, in most situations, it does not really make sense for actors at subsidiary level to engage in open defiance.

Finally, an additional aspect of the case studies was the limited scope for subsidiary managers to manipulate corporate expectations. It is not surprising, of course, that actors at subsidiary level cannot exert influence over the institutional pressures that

we are observing, namely those from the country of origin. However, we did look at ways in which they may be able to manipulate the nature of the policies that cover the company's international operations by becoming involved in the policy formation process. In this respect, we noted some obstacles to the subsidiaries exerting a good deal of influence. We have developed this argument elsewhere (Edwards et al., 2005) to argue that the institutional features of the American business system present major constraints to actors at subsidiary level shaping the nature of corporate policies.

Finally, a different approach that might be adopted in future research is to think about Oliver's categories of how actors respond to institutional pressures in terms of the firm as a whole in its dealings with national business systems rather than in an intra-corporate sense. That is, to what extent and in what ways are MNCs able to shape the various institutional configurations at national level in which they operate?

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Table 1: Strategic Responses to Institutional Pressures (Oliver, 1991)


	Strategies	Definition	Tactics
Passive  Proactive	Acquiescence	Acceding to institutional expectations	Habit imitation compliance
	Compromise	Conforming to institutional expectations but compliance is only partial	balance pacifying bargaining
	Avoidance	Organisational attempt to preclude necessity of conformity to institutional expectations	concealment buffering escape
	Defiance	Unequivocal rejection of institutional expectations	dismissal challenge attack
	Manipulation	Organisational attempt to actively change or exert power over the content or sources of institutional expectations	co-optation influence control

Table 2: The Case Study Companies

Company Pseudonym	CPGco	ITco	Business Services	Logistico
Sector	Manufacturing: consumer and professional products	Manufacturing and servicing of IT equipment	Business Consultancy and technical services	Logistics services
Employment Global	<100,000	>200,000	<100,000	>200,000
% Workforce outside US	40	50	50	10
% Revenues outside US	50	60	50	20
Employment UK	2,000+	20,000+	5,000+	2,000+
Employment Germany	2,000+	20,000+	2,000+	10,000+
Interviews HQ	3 (US)	4 (US)	3 (US)	1 (European)
Interviews UK	20	24	2	2
Interviews Germany	3	5	4	4
Interviews Total	26	33	9	7

Table 3 – Collective Representation Structures in the Three Countries

	US	UK	Germany
ITco	<p>No union recognition</p> <p>Strong welfare capitalist heritage. This has been eroded recently but clear anti-unionism remains evident</p>	<p>No union recognition</p> <p>Fierce ideological opposition to unions</p>	<p>Company level collective agreement and works councils</p> <p>Acceptance of unions weakened recently through a move from metalworking to the service sector agreement</p>
CPGco	<p>No union recognition</p> <p>Strong welfare capitalist heritage. This has been eroded recently but clear anti-unionism remains evident</p>	<p>Strongly unionised</p> <p>Little attempt by the parent to challenge well established recognition, active shop steward system or high union density</p>	<p>Industry-level collective agreement and works councils</p> <p>Little attempt by the parent to challenge well established works councils or extricate itself from industry-level collective bargaining</p>
Business Services	<p>No union recognition</p> <p>Use of 'sophisticated' HR policies as part of policy of keeping unions at bay</p>	<p>No union recognition</p> <p>Use of 'sophisticated' HR policies as part of policy of keeping unions at bay</p>	<p>No collective bargaining, a works council covers support staff only (20% of workforce)</p> <p>Use of 'sophisticated' HR policies as part of obviating need of consulting staff for works councils</p>
Logistico	<p>Unionised</p> <p>Collective agreement covers most manual workers</p>	<p>Partially unionised</p> <p>Collective agreement covers one third of the staff – this was inherited through acquisitions</p>	<p>Industry-level collective agreement and works councils</p> <p>Initial strong resistance to works councils</p>

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